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C O N F I D E N T I A L SECTION 01 OF 02 CONAKRY 000453

SIPDIS

PLEASE PASS TO USTR FOR LAURIE ANN AGAMA

E.O. 12958: DECL: 08/20/2018

TAGS: [ECON](#) [EAID](#) [PGOV](#) [GV](#)

SUBJECT: GUINEA PLANS LARGE RICE IMPORT TAX BREAK DURING  
RAMADAN

Classified By: ECONOFF T. SCOTT BROWN FOR REASONS 1.4 (B) AND (D)

11. (U) SUMMARY. The GoG plans to grant tax exemptions to rice importers worth approximately \$40 million for 600,000 metric tons of rice during the Ramadan season. However, the structure of the plan makes it vulnerable to corruption, and the aid therefore unlikely to reach those most in need. Concurrently, the World Food Program is continuing to distribute rice to its network of school canteens, and the World Bank has provisionally approved assistance for expanded agricultural production capacity and a further rice subsidy. END SUMMARY.

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A PLAN FOR DUTY-FREE RICE  
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12. (U) According to Ministry of Commerce General Secretary Falilou Barry, the GoG plans to grant approximately \$40 million worth of tax exemptions to Guinea's seven largest rice merchants from August to September, allowing them to import a total of 600,000 tons of rice duty-free. The importers will then pass the rice to two groups of distributors. The first group comprises many government ministries, unions, select private companies, and local government officials. Those groups will then sell the rice to individuals and groups they select at a price of 165,000 GNF per bag. The second group comprises several local merchants who will sell the rice in their local markets at the same price. The government plan does not envision a per person purchasing limit. Barry said the goal of this measure is to pacify the population, as strikes are often triggered by falling worker purchasing power. The current market price of rice is between 200,000 and 225,000 GNF per bag.

13. (U) Barry denied that companies involved in the subsidy were given no-bid contracts, as reported in the local press. He added that the seven largest rice importers were offered the import exemption, and noted only three importers were commissioned by the GoG last year to sell government-subsidized rice.

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WORLD BANK AID CONTINGENT ON LIFTING EXPORT BAN  
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14. (U) Barry said the GoG informed the IMF and the World Bank of this measure and said that they understood the necessity of subsidizing rice in order to mitigate the impact of the worldwide food and fuel crises. A local World Bank economist noted that the Bank has provisionally approved \$20.5 million in assistance for Guinea, a portion of which is earmarked for expanding agricultural production capacity and a further rice subsidy, though he did not specify how the

subsidy would be put into effect. He added that the assistance is contingent upon Guinea rescinding its agricultural export ban. The World Bank did not comment directly on the GoG's subsidy plan, but they said they were aware of it.

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WFP PLANS ADDITIONAL AID  
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15. (U) World Food Program (WFP) Deputy Director Mario Touchette said that his organization distributed 6,143 metric tons of rice to their network of school canteens in July, and plans a further distribution of 20,000 tons of rice and corn for August and September. Under the program, the WFP has selected regions they consider to be the most vulnerable. They will then deliver rice to schools, which will distribute it to approximately 600,000 individuals. Touchette estimated the cost of the program to be approximately \$28 million.

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COMMENT  
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16. (C) While the GoG is portraying its rice distribution plan as a means of helping those most in need, the main beneficiaries are likely to be those with connections to buy the subsidized rice, or government officials themselves. Furthermore, union members will likely be able to access this rice, which may be a GoG tactic to deter labor strikes. As with military rice subsidies, people will likely buy more rice than they need in order to resell it at a profit.

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Likewise, local officials may be tempted to resell the rice to pad their almost non-existent budgets. A similar distribution plan fell apart in 2004 when President Conte discovered that local officials in Conakry were reselling subsidized rice on the black market. Conte subsequently sacked every mayor in Conakry, an event that many in the capital still remember. END COMMENT.  
BROKENSHIRE